

**SEATTLE SCHOOL DISTRICT No. 1**  
**King County, Washington**  
**September 1, 1993 Through August 31, 1994**

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**Schedule Of Findings**

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1. School District Officials Should Improve Internal Controls Over Cash Receipting

Our audit of the district wide cash receipting accounting function disclosed several internal accounting control weaknesses. The weaknesses which were also reported during our fiscal 1993 audit were:

- a. Checks were not restrictively endorsed upon receipt at the district. This included the school district's main office as well as other locations throughout the district.
- b. Cash and checks received were not placed in a secured location until being turned over to the district's head cashier.
- c. Deposits received from other departments or locations are not verified by the head cashier prior to deposit.
- d. Cash received was not deposited within 24 hours of receipt. Some locations held cash receipts for a week or more before making a deposit or sending the funds to the head cashier for deposit.
- e. Segregation of duties outside of the accounting department is not maintained at the other cash receipting locations of the school district. Frequently the same person opens the mail, reconciles the information, and turns in the deposit to the head cashier.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him with the treasurer of the taxing district once every twenty-four hours.

The *Accounting Manual For Public School Districts In the State of Washington*, Chapter 3, Accounting Guidelines, states in part:

Cash Receipts - Each public school district is responsible for the establishment of procedures for the daily collection of cash. . . .

Separation of Duties - Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

The district's *Board Policies and Administrative Procedures Manual*, Policy D 11.07 - Remittance to Cashier, states in part:

1.       Originator
  - b.       Each work day cash is prepared for transmittal to the A & S Center. A remittance slip is prepared for each transmittal as required. Receipts are attached.
  - c.       Persons responsible for transmittal places money, receipts, and Remittance to Cashier Form in locking money bag and provides for safekeeping until mail pickup.
2.       Accounting Office
  - a.       Accounting Office cashiers receive money bags and prepare the day's deposit based on the information on the Remittance to Cashier Form.
  - b.       Accounting office staff other than the cashier performs a reconciliation of cash deposits with cash receipts records.

These weaknesses resulted due to the accounting department not being aware of, nor having addressed, the presence of all of the cash receipting points within the district, and the presence of inadequate district policies and procedures governing the cash receipting function.

Failure to establish and monitor internal control procedures over all cash receipting sites and functions, increases the opportunity and could result in the misappropriation of funds and fraudulent activity.

We recommend district officials establish and/or strengthen existing internal control procedures over the cash receipting function to ensure all checks received are restrictively endorsed, timely deposits are made, funds received are secured and duties are adequately segregated.

2. School District Officials Should Comply With Statutes Governing The Use Of Public Funds

Our audit of Associated Student Body activities at the American Indian Heritage School revealed public and private funds were commingled, cash receipts were not deposited intact, receipts and expenditures were not fully accounted for, and there were gifts of public funds. As a result of this, we were unable to accurately determine the amount of actual receipts collected and expenditures incurred, however, based upon the results of our work, recorded activity should have been between \$2,000 and \$30,000 per year. Specific violations noted were:

a. Public And Private Funds Were Commingled

Public funds collected from the American Indian Heritage School's dance team presentations were deposited into both the ASB bank account (a public account) and the Parent/Teacher Association account (a private account). In addition, dance team related expenditures were made from both accounts. The expenditures made from the "private" account with "public" funds were for what appeared to be, appropriate dance team or "public" purposes. It does not appear the school principal or other individuals personally profited from the checks written from this account. Whenever public and private funds are commingled, all of the funds involved become public funds.

b. Cash Receipts Were Not Deposited Intact

American Indian Heritage School officials utilized the school's gym for recreational nights ("Open Gym") open to students and the general public. Admission of \$1.50 per person was charged. The school principal authorized the Open Gym coordinator to keep the proceeds in-lieu-of formal compensation for the time spent supervising the function. No records were made of attendance nor how much was paid to the coordinator. None of this activity was recorded in the school's accounting records.

c. Unrecorded Cash Receipts And Expenditures

In keeping with their Native American heritage, school officials sponsored three powwows per school year. School officials paid for many services for which no written contracts existed in cash from proceeds collected at the events, instead of going through the district's established disbursement system. This resulted in expenditures being made utilizing public funds which cannot be substantiated. Additionally, these receipts and expenditures were never accounted for in the district's accounting records. We were informed this was done because the Native American community traditionally enters into oral contracts for services. The only service at the powwows for which written contracts have been consistently obtained was for the Master of Ceremonies.

d. Gift Of Public Funds

Unrecorded cash receipts were used to pay for Indian Heritage dance contest prizes at the school sponsored powwows in violation of the state constitution. Few, if any, records were maintained supporting the amount of actual cash collected and expenditures paid. As such, inappropriate expenditures were made utilizing public funds which cannot be fully substantiated and there is no practical way to ensure all public funds/receipts were utilized only for district purposes.

The district's *Associated Student Body Procedures Manual* (Secondary Schools), October 1991, specifies in part:

Definitions

Associated Student Body **public** moneys means "fees collected from students and nonstudents as a condition to their attendance at any optional noncredit extracurricular event at the school district which is of cultural, social, recreational, or athletic nature." Revenues derived from the "Associated Student Body programs" as defined in Subsection (2) WAC 392-138-010 and any other moneys received by an Associated Student Body for the support of an Associated Student Body program.

Associated Student Body **private** money means "bona fide voluntary donations" that are identified as donations at the time of collection.

Purchase Of Services

All arrangements for services must be in a written agreement, specifying the conditions for payment, how the services are to be performed, and showing the social security number or federal identification number.

Deposits Of Cash Receipts

All cash receipts are to be deposited in the appropriate bank branch closest to your school. All proceeds from sales should be deposited intact. There should be no items included in the deposit which are not a part of the sales activity. There should be no checks exchanged for cash. There should be no payment of expenses from the proceeds.

RCW 28A.325.030 states in part:

All moneys generated through the programs and activities of any associated student body shall be deposited in the associated student body program fund.

In addition, Article XI, Section 15, of the Washington State Constitution states in part:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

Article VIII, Section 7, of the Washington State Constitution states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm . . . .

At American Indian Heritage School, the noted problems occurred because internal control policies and procedures were not followed, the school staff was not adequately trained, and the Principal was attempting to respond to the unique social characteristics of the Native

American Community.

When inadequately monitored ASB activities occur and established procedures are not followed, the result is:

- a. An increase in the opportunities for loss or theft to occur and not be detected in a timely manner.
- b. A complete and accurate accounting of the receipt and use of public funds is not possible.
- c. District officials have and use incomplete or inaccurate information to budget activities in subsequent periods.

We recommend district officials:

- a. Provide adequate training to school staff related to the differences between public and private moneys and the legal and procedural requirements for both.
- b. Enforce ASB internal control procedures.
- c. Explore ways to address the unique social characteristics of the Native American Community in relation to ASB internal controls and state statutes.

3. Inadequate Internal Controls At The Administrative And Service Center (A & S) Deli Allowed For A Misappropriation Of Public Funds

We determined there were inadequate internal accounting controls at the A & S Deli. On September 25, 1994, district officials discovered and notified the Office of State Auditor of a loss of cash receipts from certain A & S Deli bank deposits. Our audit of the financial records of Seattle School District No. 1 revealed that at least \$6,611.65 in public funds was misappropriated by one or more unknown employees from cash receipts of the A & S Deli during the period January 1, 1994, through April 30, 1994. Federal funds were not involved in this case. These funds were misappropriated as described below.

Cash receipts (i.e.; currency, coins, and checks) were missing from bank deposits originating from the A & S Deli during the months of January and April 1994. These losses included \$4,115.65 from deposit slip Nos. 1189 through 1204 in January 1994, and \$2,496.00 from deposit slip Nos. 1257 through 1266 in April 1994. These deposits were never transmitted from the district to the bank. In addition, management did not discover that the deposits were actually missing until September 1994. It was not possible for anyone to fix responsibility for these losses because of the following internal control weakness.

- a. There was an inadequate segregation of duties. Practically all the accounting functions of the deli were the sole responsibility of the manager. However, there was no periodic monitoring or other management review of the work performed by this individual which would accomplish the same objective as a segregation of duties between two or more employees.
- b. Cash handling procedures were inadequate. While there was a cash register at the deli, the staff did not always use it to record sales transactions. In addition, the customer payment process was frequently performed on the honor system. The district made an operating decision to reduce deli staff and operating hours because of the limited amount of sales. For example, sales recorded during the current audit period were only \$61,487.
- c. Locking or tamper proof bank bags were not used to transmit funds from the deli to either the district cashier or to the bank.
- d. Neither the food service department nor the accounting department received all of the documents necessary to monitor total operations at the deli. These critical documents included the A & S Deli cash report forms, bank validated deposit slips, and reports of deposit from the bank's client server database. Since neither department monitored the complete activity of the deli, no one promptly noticed the missing bank deposits cited in this report.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall wilfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive same, or to such county, city, town or such school, diking, drainage or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in the state correctional facility for not more than fifteen years.

We recommend the Washington State Office of the Attorney General and the King County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

Bond coverage for district employees is as follows:

Hartford Fire Insurance Company  
Commercial Crime Coverage - Public Employee Blanket Bond  
Policy Number PEBJA8702  
\$500,000 With a \$2,500 Deductible Provision  
August 31, 1993 to August 31, 1994

We also recommend the food service and accounting departments review A & S Deli accounting controls over cash receipts and bank deposit transmittals, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of public assets.

4. District Officials Should Follow Applicable Policies And Procedures For Travel Advances

We audited 10 out of 136 travel requests processed between September 1993, and August 1994. All travel requests audited contained several areas of non-compliance with district policies and procedures and state law. Additionally, we reviewed the list of travel advances outstanding as of December 31, 1994, to determine whether any advances issued during the period September 1, 1993, through August 31, 1994, remained outstanding. New travel procedures were implemented in June of 1993 partially in response to prior audit concerns which led to some improvement in compliance. However, there are still violations regularly occurring. The specific areas of noncompliance noted were:

- a. Seven claim vouchers were not submitted to accounting within ten days of return from authorized travel. Three of the seven were submitted between three and five months after the trips were completed.
- b. Interest has not been charged on delinquent travel advances on a consistent basis.
- c. Two travel advances issued for travel completed in May of 1994, remained outstanding as of December 31, 1994. In one instance, the individual is no longer employed by the district, and the outstanding advance has been recorded and billed as an accounts receivable.

RCW 42.24.150 states:

On or before the tenth day following the close of the authorized travel period for which expenses have been advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended accompanied by the unexpended portion of such advance, if any.

Any advance made for this purpose, or any portion thereof, not repaid or accounted for in the time and manner specified herein, shall bear interest at the rate of ten percent per annum from the date of default until paid.

The district's *Extended Travel Policies in the Business and Finance Systems Users Guide*, page 8-33, states in part:

Approval is required from one of the following: the Deputy Superintendent (for school personnel), the Chief Financial Officer, the Executive Director for Human Resources, the General Counsel, or the Executive Director for External Relations.

These conditions resulted because district management, not wanting to excessively restrain travel, did not withhold payments nor cease providing additional advances until such vouchers were filed. If not corrected, the district could incur losses in the amount of outstanding advances plus interest.

We recommend district officials comply with Washington statutes and their own policies and procedures regarding travel advances.



5. District Officials Should Follow Policies And Procedures For Contingent Funds

Contingent funds are provided to each school site as requested for the purpose of enabling each school's staff to make small purchases. These imprest funds are operated on a revolving reimbursement basis and are to be closed out at the end of each fiscal year or school year. We reported violations of the application of the policies and procedures governing contingent funds in our fiscal 1993 audit and continued to encounter them during the current audit. Our audit disclosed the following violations:

- a. Thirteen out of fifty-three contingent funds at the district were not closed out by August 31st, the end of the fiscal year.
- b. Funds at ten sites were opened for the fiscal year 1994 before the fiscal 1993 balances were reconciled and closed.
- c. Three funds were opened during the fiscal year 1994 at balances exceeding the maximums established by the school board.
- d. Ten funds were opened even though the fund custodian at the site did not submit the certification agreeing to reconcile the fund on a monthly basis as required by the district accounting office.

The district's School Board Policy D 11.03 - School Contingent Funds, General Regulations Nos. 1.f and 1.g, state in part:

Upon receipt of contingent fund monies, the principal or administrator must agree to reconcile the contingent fund checking account on a monthly basis.

Principals must balance and close the contingent fund with the District Cashier prior to August 31 each year. If necessary, the fund may be reopened to meet immediate needs.

District management stated they have not enforced contingent fund policies and procedures because they do not wish to impose an unnecessary hardship on the sites by withholding their contingent funds.

Failure to enforce the above policies may result in expenditures exceeding the authorized budgets and accounting records which do not properly reflect all transactions occurring in the correct accounting period.

We recommend district officials enforce established contingent fund policies and procedures.

6. District Officials Should Strengthen The Administrative Controls Over Staff Mix Recording And Reporting

Our audit of the district's staff mix reporting system noted district officials inaccurately recorded and reported employee academic credits and work histories to the Superintendent of Public Instruction (SPI) for five of the twenty-five certificated staff reviewed. SPI uses staff mix information as a major component in determining the district apportionment funding. District officials use the information to determine employee compensation. This condition was previously reported in our fiscal 1993 audit report.

*Washington Administrative Code* (WAC) 392-121-200 through WAC 392-121-299 establishes the guidelines for reporting accurate staff mix information.

WAC 393-121-270 states in part:

Each basic education certificated instructional employee shall be placed on LEAP salary allocation documents based on the employee's years of experience, highest degree level, and total eligible credits as defined in this chapter . . . .

The inaccuracies occurred as a result of the misreading of official transcripts, incomplete or inaccurate posting of the credits, and the failure to file transcripts in the permanent employee files.

When district officials record and report inaccurate transcript and work experience information:

- a. Apportionment awards may be distorted resulting in potential over or under payments from the state.
- b. Employee salaries may be over or under paid.
- c. District officials may have to subsequently request salary reimbursements from or pay additional compensation to employees.

We recommend district officials:

- a. Strengthen the controls over the staff mix system so all pertinent information will be accurately recorded and reported to SPI.
- b. Resolve and correct the differences noted in the five employee files.
- c. Begin a systematic review of all permanent employee files to identify and resolve any cumulative errors from prior years.

**SEATTLE SCHOOL DISTRICT No. 1**  
**King County, Washington**  
**September 1, 1993 Through August 31, 1994**

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**Schedule Of Federal Findings**

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1. Seattle School District Officials Should Only Charge Allowable Costs To The Federal Magnet Program

During the 1993-94 (fiscal 1994) program year, 8 of 93 schools in the district were funded by the federal Magnet program. The federal Magnet Schools Assistance Program provides financial assistance to local educational agencies to support the elimination, reduction or prevention of minority group isolation in elementary and secondary schools with substantial portions of minority students. The program also supports courses of instruction within Magnet schools which will substantially strengthen the knowledge of academic subjects and the grasp of tangible and marketable vocations skills of students attending such schools.

Our audit of the Magnet Program indicated the following items were inappropriately charged to the program:

- a. The district charged the entire cost of several publications and a meeting related to district-wide student registration and enrollment. All of the district's schools derived benefits from these expenditures. The unallowable/questioned portion of the costs are \$7,668.20.

This resulted due to the way the student registration and enrollment process is structured. District officials considered the costs of general student registration and enrollment activities essential to identifying potential Magnet school students. Once identified, district officials could then specifically target its promotion of Magnet schools to these students and their parents. District officials, therefore, believed the costs associated with the district-wide enrollment process were an allowable charge to the Magnet program.

- b. The director of Magnet programs and his administrative assistant charged 100 percent of their salaries and benefits to the Magnet program during the fiscal 1994 school year. Due to a district-wide reorganization begun late in the prior school year, the director became responsible for administering other state and federally funded programs during fiscal 1994. Because all of the salaries and benefits of the director and his administrative assistant were exclusively charged to the Magnet program, no time records reflecting the time applicable to other federal or nonfederal programs were prepared. Therefore, the amount of time and associated costs allocable to other programs could not be reasonably determined so we are not presenting any questioned costs associated with this issue.

The district reorganization was not finalized at the time the application was submitted for Magnet funding for the fiscal 1994 school year. The director of Magnet programs did not anticipate assuming responsibility for any of the other programs he was subsequently assigned. Due to budget restrictions and program

regulations, the cost of the director's office could not be allocated to these other programs.

- c. District officials charged the cost of exercise equipment for a school gym and cellular telephone equipment used by the school principal to the federal Magnet program for one of the Magnet schools. These are not allowable program costs. The costs questioned were \$1,008.38 for these items.

School officials were unaware the equipment costs were not allowable charges under the federal Magnet program.

- d. Finally, there were charges to the Magnet program for expenditures accrued at the end of the district's fiscal year which were not paid within 90 days of the end of the funding period as required by U.S. Department of Education administrative regulations. Payments made after 90 days following the end of the funding period were \$1,980.27.

As a result of the district reorganization, management did not have sufficient resources to determine whether all grant obligations were liquidated within the 90-day period following the end of the funding year. They considered noncompliance with this requirement unlikely to occur based on the district's accounts payable procedures and were willing to accept the risk the costs might be questioned as the result of an audit.

The Office of Management and Budget, Circular A-87 - *Cost Principles for State and Local Governments*, Attachment A, Section C, states in part:

To be allowable under a grant program, costs must meet the following general criteria:

- 1.f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.
- 2.a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.
- b. Any cost allocable to a particular grant or cost objective . . . may not be shifted to other federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.

The Education Department General Administrative Regulations (EDGAR) for the Magnet program contained at 34 *Code of Federal Regulations* (CFR) 280.40 provide in part:

An LEA may use funds received under this part for the following activities:

- (b) The acquisition of books, materials, and equipment (including computers) and the maintenance thereof. Any books, materials or equipment purchased with grant funds must be:
  - (1) Necessary for the conduct of programs in magnet schools;  
and
  - (2) Directly related to improving the knowledge of

mathematics, science, history, English, foreign languages, art, or music, or to improving vocational skills.

The Education Department General Administrative Regulations (EDGAR) presented in 34 CFR 80.23 also state in part:

- (b) Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period . . . .

As a result of charging the Magnet program unallowable costs, the district appears to have been over-reimbursed at least \$10,656.85 for the fiscal 1994 program year.

We recommend district officials:

- a. Fund the district-wide student registration and enrollment costs from state or local funds and once the level of Magnet enrollment is determined, reallocate the appropriate charges to the Magnet program.
- b. Apply only allowable costs to the Magnet program during the contracted period of availability.
- c. Consult with the grantor agency to resolve the questioned costs.

2. District Officials Should Comply With Head Start Program Regulations And Contract Provisions

During our audit of the district Head Start program (CFDA 93.600), we examined 25 participant files and discovered the following:

- a. Five children did not have health screenings performed within 45 days of enrollment.
- b. Two children did not have evidence in their file that a developmental screening was performed and another three children did not have their developmental screenings performed within 45 days of enrollment.
- c. Six children did not have evidence in their file that a medical exam was performed, and another two children did not have their medical exam performed within 45 days of enrollment.
- d. Eight children did not have evidence in their file that a dental exam was performed, and another three children did not have their dental exam performed within 45 days of enrollment.

Program regulations contained at 34 CFR 1304.3-3 provide in part:

(a) The health services component of the performance standards plan shall provide that for each child enrolled in the Head Start program a complete medical, dental and developmental history will be recorded, and thorough health screening will be given, and medical and dental exams will be performed.

(b) Effective with the beginning of the 1993-94 program year, grantees must provide for health and developmental screenings by 45 days after the beginning of services for children in the fall, or for a child who enters late, by 45 days after the child enters into the program . . .

The City of Seattle Agency Services Agreement No. 2046/94, Exhibit A-2, Performance Standards Nos. 4, 8, and 9 specifies that 100 percent of children participating in the program must have developmental screenings, medical exams, and dental exams completed within 45 days of enrollment.

The district had only one health coordinator available to carry out the responsibilities for ensuring all health service requirements were complied with for the over 400 children enrolled in the combined district Head Start/ECEAP program for the 1993-94 school year. The level of program funding for 1993-94 did not provide for additional staffing to assist the health coordinator to comply with the new program requirements.

District officials could jeopardize future program funding by failing to comply with federal program regulations and grantor contract provisions.

We recommend district officials take appropriate steps to provide adequate staffing to complete the health service components in a timely manner.

3. District Officials Should Use Appropriately Designed Standardized Forms For The Reporting Of Time And Effort By Individual School's Officials

The Chapter 1 federal program is operated at 12 schools within the district. Individual school officials are required to submit monthly reports to the central office allocating instructional time charges to the Chapter 1 program and other state and federal programs. These reports are summarized by the central office administrators to prepare an annual report, which is the basis for charging salary and benefit expenditures to the correct program budgets.

Our audit of the school location time reports indicated all the participating schools' officials submitted some type of monthly report. This is an improvement over the results noted and disclosed in the prior two years' audits. The reports submitted, however, were in a variety of formats, many of which did not meet the federal criteria. For example, a majority of the reports did not bear the signature of the employee(s) and supervisor(s). Additionally, many of the reports were submitted late.

District officials have not mandated a standard method or format for recording, approving, and submitting hours. Additionally, criteria for the timely submission of reports has not been established and therefore, individual school's officials have used a variety of methods for submitting hours, many of which do not meet federal guidelines.

Due to the number of schools and officials involved, the lack of standard reporting forms, and the variation in errors, quantifying the magnitude of the errors would not have been cost efficient. As such, we are not presenting questioned costs associated with this issue.

The federal Office of Management and Budget's Circular A-87 - *Cost Principles For State and Local Governments*, Attachment B, Allowable Costs - 10(b): "Payroll and Distribution of Time" states in part:

. . . Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

The failure of individual school officials to file monthly reports prepared from contemporaneously completed timesheets, that are appropriately signed and approved, results in the central office administrators preparing reports based on potentially incorrect and unauthorized information. This introduces the risk of inaccurate payroll expense distribution among federal, state, and district budgets.

We recommend Chapter 1 administrators redesign their standardized forms and mandate the filing of these forms monthly by the individual school officials.

We further recommend the Chapter 1 administrators ensure their annual reports are based upon accurate, complete, timely, and appropriately certified monthly reports from the individual school's officials.

4. District Officials Should Strengthen Accounting And Administrative Control Procedures Over The Submission And Processing Of Timesheets For Employees Charged To Federally Funded Programs

Payroll testing of 15 employee timesheets for charges to various federally funded programs revealed timesheets submitted were not adequately reviewed for errors. Due to this, employees were paid based upon timesheets with duplicate days and incorrect totals. In addition, on 6 of the 15 timesheets audited, the time sheet did not bear the approval signature of an employee having budgetary or supervisory authority. These conditions were previously disclosed in our fiscal 1993 audit report.

The Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, Attachment B, Section B.10b, states in part:

Amounts charged to grant programs . . . will be based on payrolls documented and provided in accordance with generally accepted practices of the State, local, or Indian tribal government. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

RCW 43.09.200 states in part:

The accounts shall show . . . the disposition of all public property . . . (and) documents kept . . . necessary to isolate and prove the validity of every transaction . . . .

Program managers have the responsibility to submit timesheets with the accurate information. The continued presence of these systematic weaknesses may result in inappropriate billings to federal or state programs resulting in questioned costs.

We recommend district officials:

- a. Emphasize the necessity for employees to submit accurate timesheets and supervisors to adequately review and approve the timesheets submitted by their staff for compliance with federal regulations and district policies.
- b. Appropriately compensate the underpaid personnel, adjust for the overpaid personnel, and correctly charge the applicable federal programs.
- c. Consult with the grantor agencies to resolve the questioned costs.